

OLC 74-2551
11 December 1974

NOTE FOR OLC

Lyle:

1. I have reviewed all of HR-17488 amending the Internal Revenue Code. The amendments to section 912 of the Internal Revenue Code, which appear in section 311 of the bill and related amendments in section 220 and section 124 are the only ones of direct concern to the Agency. You will find these amendments at pages 129 through 134.

2. Section 912 which now exempts foreign area allowances of civilian officers and employees of the United States would be phased out by a reduction of 25 percent in tax year 1975, 50 percent in 1976, 75 percent in 1977 and elimination in 1978. Subsection (b)(2), which appears on page 130, immediately after the reduction provision, seems inconsistent with it. It states that section 912 is hereby repealed, which on its face would appear to have an immediate effect. I know this is not intended. As you know, section 911 which exempts earned income of privately employed U.S. citizens living abroad is phased out and repealed at the same rate and over the same period of time as section 912.

3. The Code would be further amended by providing for a limited deduction ^{for} ~~for~~ tuition expenses of dependents of taxpayers employed abroad and by the exclusion from gross income of items of "municipal-type services" furnished in a foreign country to an individual by his employer. The bill does not make clear what types of services are contemplated, but probably a committee report will.

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4. There is, of course, no reason for us to take an official position on the repeal of section 911. However, as a matter of interest you should know that this greatly simplifies the [REDACTED] which are in large part caused by the fact that the [REDACTED] personnel is exempt, at least in part, under section 911.

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JDM

